

**Mortgagee Letter 2010-07 - Revisions to Model Home Equity Conversion Mortgage (HECM) Loan Agreement (Loan Agreement) and Fannie Mae Form 1009, Residential Application for Reverse Mortgages (Fannie Mae Form 1009)**

**Executive Summary for HECM counselors**

This Mortgagee Letter addresses specifics of lender documentation that may be useful for HECM counselors to know in the event that a client contacts them with questions about the HECM loan application. It has little, if any, impact on the counseling process. Mortgagee Letter 2010-07 dated March 1, 2010 goes into effect for all HECM case numbers assigned after August 1, 2010, however the revised forms may be used immediately.

The Universal Residential Loan Application (Freddie Mac Form 65/Fannie Mae Form 1003) can no longer be used for a HECM loan after August 1, 2010. All HECM loan applications after this date must use Fannie Mae Form 1009, Residential Loan Application for Reverse Mortgages (revised 07/09). Form 92900-A, HUD/VA Addendum to Universal Residential Loan Application is still required. (This addendum is the application for FHA insurance.)

The revisions to Fannie Mae Form 1009 are as follows:

1. Section I now includes data fields for a HECM for purchase transaction and the purpose for which the borrower is seeking the HECM. It also specifies which index is being used for the interest rate (LIBOR or Other), and the Origination Fee being charged for the loan.
2. Property information (Section II) has been revised to identify whether a trust is Irrevocable or Revocable if the property is held in a living trust.
3. Additional advice has been added to help the loan officer identify what type of liens against the property should be listed in Section IV.
4. Questions have been added to the declarations in Section VI including whether the borrower borrowed additional funds in order to obtain the HECM; if the borrower is planning to use the funds to purchase or invest in other financial products such as insurance, mutual funds or annuities; and if the borrower currently holds any other FHA loans.
5. Section VIII now requires additional identifying information about the Loan Originator.

Changes to the model HECM Loan Agreement include the revised definition of maximum claim amount as well as revisions to Exhibits 1 and 2.

The definition of maximum claim amount has been updated to reflect the change in the lending limit established in 2008 and the addition of the sales price as a factor in determining the MCA on a HECM for purchase. Maximum Claim Amount is defined as the lesser of the appraised value, sales price, or the national maximum loan limit established under section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act. This definition was previously identified in ML 2009-11.

Exhibit 1 (Payment Plan) now requires disclosure of the initial interest rate and the amount of the lender's margin as well as the date used to determine the expected rate and if the expected rate was locked.

Exhibit 2 has been revised to include a Schedule of HECM for Purchase Disbursements to Seller. It also requires that each closing cost be itemized with the amount being charged.

To view Mortgage Letter in full, visit HUD [website](#).